Supreme Court, U. S.
FILED
CHARLES ELMORE CROPLEY

IN THE

Supreme Court of the United States

OCTOBER TERM 1950

No. 645

HUMBLE OIL & REFINING COMPANY, *Petitioner*,

v.

GRAY TOOL COMPANY, *Respondent*.

Petition for Writ of Certiorari to the United States Court of Appeals for the Fifth Circuit

and

Brief in Support Thereof

NELSON JONES,
Counsel for Petitioner

REX G. BAKER,
MELVIN F. PENCER,
VINSON, ELKINS & WEEMS,
J. VINCENT MARTIN,
JACK H. HEAD,
Of Counsel

INDEX

Petition for Writ of Certiorari

PAGE

SUMMARY STATEMENT OF THE MATTER INVOLVED 2

JURISDICTION 6

QUESTIONS PRESENTED 6

REASONS FOR GRANTING THE WRIT 7

Brief in Support of Petition for Writ of Certiorari

OPINIONS OF THE COURTS BELOW 9

JURISDICTION 9

MATTER INVOLVED 9

SPECIFICATION OF ERRORS IN THE COURT BELOW 11

ARGUMENT 12

1. Court of Appeals has Announced Exceptions to and Limitations Upon the Rule that a Court of Equity Should Not Lend Its Aid to a Plaintiff Who is Misusing the Patents in Suit 12

2. Court of Appeals Has Held That a Patent Suit is Not a Case for the Use of Summary Judgment Procedure 13

3. Court of Appeals Has Held That in Case of Deliberate Infringement the District Court Should "Contrive and Confect" a Decree to Permit Plaintiff to Recover Even Though the District Court Finds Plaintiff is Misusing the Patents in Suit 17

CONCLUSION 18

TABLE OF CASES

PAGE

American Lecithin Co. v. Warfield Co., 105 Fed. (2d) 207 . . . 15, 16, 17

B. B. Chemical Co. v. Elmer A. Ellis, et al., 314 U.S. 495; 117 Fed. (2d) 829 . . . 10, 14, 15, 16, 17

Carbice Corp. v. American Patents Development Corp., 283 U.S. 27 . . . 14, 17

Leitch Mfg. Co. v. Barber Co., 302 U.S. 458 . . . 10, 14, 15, 16, 17

Lincoln Electric Co. v. Linde Aid Products Co., 171 Fed. (2d) 223 . . . 14, 16, 17

Mercoid Corp. v. Mid-Continent Investment Co., et al., 320 U.S. 661 . . . 14, 15, 17

Mercoid v. Minneapolis-Honeywell Regulator Co., 320 U.S. 680 . . . 14, 17

Morton Salt Co. v. G. S. Suppiger Co., 314 U.S. 488 . . . 14, 16, 17

Paul E. Hawkinson Co. v. Dennis, 166 Fed. (2d) 61 . . . 4, 13

Philad Co. v. Lechler Laboratories, Inc., 107 Fed. (2d) 747 . . . 17

IN THE

Supreme Court of the United States

OCTOBER TERM 1950

No._____

HUMBLE OIL & REFINING COMPANY, *Petitioner*,

v.

GRAY TOOL COMPANY, *Respondent*

Petition for Writ of Certiorari

To the Honorable the Chief Justice and Associate Justices of the Supreme Court of the United States:

Your Petitioner, Humble Oil & Refining Company, prays for a review on a writ of certiorari of a decision of the United States Court of Appeals for the Fifth Circuit. The opinion of said Court was filed January 19, 1951 (R. 3291), in a case entitled GRAY TOOL COMPANY, Plaintiff-Appellant v. HUMBLE OIL & REFINING COMPANY, Defendant-Ap-

pellee. Said opinion is reported in 186 Fed. (2d) 365, and in 88 U.S.P.Q. 165. The Mandate of said Court was stayed until April 2, 1951 to permit application for certiorari to this Court.

Ten copies of the Record, one of which is certified, printed for use in the Court below, together with the proceedings and opinion in that Court are furnished herewith in accordance with Rule 38, paragraphs 1 and 7 of the Rules of this Court.

Summary Statement of the Matter Involved

The complaint herein was filed by Respondent in the United States District Court for the Southern District of Texas, Houston Division, for an alleged infringement and unjust enrichment with respect to the subject matter of the designated claims of the following patents owned by Respondent.

2,082,413, Mueller, et al—Wellhead Equipment (VI-R. 2639)—Claims 1 through 6 and 9.

2,117,444, Mueller, et al.—Method of Setting and Equipping Casing in Wells and Drilling Under Control (VI-R. 2645)—Claims 1 through 7.

2,150,887, Mueller, et al—Method and Apparatus for Completing Wells (VI-R. 2650)—Claims 2 and 4 through 9.

2,241,333, Smith—Well Head (VI-R. 2660)—Claims 2, 3, 5, 7, 8 and 9.

Respondent's patents in suit include certain *combination* claims which Respondent alleges cover the way the producers combine certain elements of equipment on the well in the field, and certain *method* claims which Respondent

alleges cover the procedure the producers follow on the wells.

Respondent is one of a number of manufacturers who, in competition with each other, are selling certain elements of equipment to Petitioner and the various other producers of oil.

Producers of oil, such as Petitioner in this case, purchase various elements of equipment from different manufacturers. Having purchased these elements of equipment, the producers of oil *combine* these elements together on the oil wells in the field. In using these combinations of elements, the producers follow various *procedures* on the wells to get the desired results.

Respondent is complaining in this action that Petitioner is purchasing elements of equipment from Respondent's competitors and using them in the combinations and methods patented by the patents in suit.

Petitioner filed a motion for a summary judgment dismissing the complaint under Rule 56 of the Rules of Civil procedure upon the ground that Respondent is here attempting to use these *combination* and *method* claims to establish a monopoly in the sale of elements of equipment not patented thereby; and the fact that Respondent is so misusing its patents is established by Respondent's judicial admissions.

The District Court granted Petitioner's motion for a summary judgment, dismissing the complaint upon the material facts set forth in Petitioner's Statement which is quoted in toto in footnote (1) to the District Court's opinion (III R. 1234-1246). The District Court said (III R. 1251, 1252):

> "I think the record in this case shows it to be indisputably true that Plaintiff is misusing the patents in suit. Defendant's Motion for Summary Judgment will, therefore, be granted."

The Court of Appeals reversed the District Court and remanded the cause with instructions to try the case as a whole on the issues of patent validity, infringement and misuse.

The Court of Appeals also instructed the District Court to "contrive and confect" a decree to permit Respondent to recover if upon the trial the patents were found valid and infringed, even though the District Court also found that Respondent was misusing the patents in whole or in part.

Agreeing with Respondent's argument, and referring to its prior decision in PAUL E. HAWKINSON CO. v. DENNIS, 166 Fed. (2d) 61, the Court of Appeals said (R. 3292):

> "We agree both because, being *a patent* suit, this was, under the rules laid down in that case, *not a case for the use of summary judgment procedure*, and because, treating this as though it were an ordinary private law suit, the record wholly fails to support the court's conclusion that, as matter of law and not of fact, the defense of misuse of the patents had, in some degree, been made out." (Emphasis ours.)

The Court of Appeals disagreed with Petitioner, saying (R. 3295):

> "The defense of misuse of patents, like other unclean hands defenses, is not, as defendant seems to think, a matter of the letter of bare bones facts: it is a matter of their spirit, the *intent* with which they are done. A judge may not, on a motion for summary judgment, draw fact inferences as to plaintiff's *purpose or intention* in respect to obtaining a monopoly. Such inferences may be drawn only on a trial." (Emphasis ours.)

The Court of Appeals held that the application of the principle that a court of equity should not lend its aid to a

Plaintiff who is misusing its patent is not the same in a suit for direct infringement as it is in a suit for contributory infringement.

The Court of Appeals held that a Plaintiff who is misusing its patents should nevertheless be permitted to recover against Defendant if it is found upon the trial that the Defendant is a deliberate infringer, saying (R. 3298, 3299):

> "Whenever a deliberate infringer seeks to escape the penalties of his violation of the Constitution and statutes of the United States governing patents, a court of equity should be patient enough to search out and determine the merits of the case. If, in doing so, it finds the patents valid and infringed, but *finds also misuse in whole or in part of the patents,* it should be adroit and astute enough to *contrive and confect* an equitable decree which will neither reward the plaintiff for his misuse or put a premium on defendant's wrong doing and hypocrisy.
>
> "Such a decree should, of course, be so framed as that it will not permit an unreformed and unrepentant plaintiff to obtain the fruits of bringing a defendant to book for his wrong doing, unless and until proper amends are made. Equally, of course, it should not be framed to put a premium on a defendant's wrongdoing in deliberately stealing the fruits of plaintiff's invention by permitting him, by the simple device of the pot calling the kettle black, to continue to escape accountability. In short, the decree should, if at all possible, be so drawn as to protect the public from the continued wrong doing of the plaintiff in misusing its patents and the plaintiff and the public from the continuing wrong doing of defendant in deliberately pirating their inventions." (Emphasis ours.)

Jurisdiction

The jurisdiction of this Court is invoked under the JUDICIAL CODE (28 U.S.C. 1254 and 2101(c)). The judgment below was entered January 19, 1951.

Questions Presented

The decision of the Court of Appeals for the Fifth Circuit presents the following questions:

1. Is the rule that a court of equity should not lend its aid to a plaintiff who is misuing the patents in suit to establish a monopoly on equipment not patented thereby, subject to the exceptions and limitations announced by the Court of Appeals?

2. In a direct infringement suit, where the necessary effect of Plaintiff's admitted conduct is to establish a monopoly in equipment not patented by the patents in suit, may Plaintiff avoid dismissal of its complaint on a summary judgment proceeding by the simple expedient of denying that Plaintiff has any purpose or intention in respect to establishing the monopoly?

3. In a patent suit in which Plaintiff charges that defendant is a deliberate infringer, should a summary judgment dismissing the complaint on the ground that plaintiff is misusing the patents in suit be reversed and remanded to the District Court with instructions to try the case as a whole on the issues of patent validity, infringement and misuse, and to "contrive and confect" a decree which will permit plaintiff to recover against defendant if the court finds the patents valid and infringed, even though the court also finds that plaintiff is misusing the patents in whole or in part?

Reasons For Granting the Writ

The reasons for granting the writ are as follows:

1. The question whether the rule that a court of equity should not lend its aid to a plaintiff who is misusing the patents in suit, is subject to the exceptions and limitations announced by the Court of Appeals, is of great public importance and should be finally decided by this Court.

If misusers of patents are permitted to prosecute expensive infringement suits for long periods of time, or if misusers of patents are permitted to recover in such suits, this will be a powerful aid to the maintenance of monopolies on equipment not patented by the patents in suit.

2. The decision of the Court of Appeals, if allowed to stand, will permit misusers of patents to prosecute many patent infringement suits, by alleging that defendant is a *direct* infringer, and denying that plaintiff's *purpose and intention* is to establish an unlawful monopoly. For the decision requires the District Judges to try such cases as a whole on the issues of patent validity, infringement and misuse, when, according to the decisions of this Court, the public interest requires that complaints in such suits be dismissed by summary judgments.

3. The decision of the Court of Appeals, if allowed to stand, will permit misusers of patents to recover in many patent infringement suits. For the decision requires the District Judges to "contrive and confect" decrees permitting such recovery on the ground that defendant is a deliberate infringer, when, according to the decisions of this Court, the public interest requires that relief be denied.

4. The Court of Appeals has so far departed from the accepted and usual course of judicial proceedings as to call for an exercise of this Court's power of supervision.

5. The Court of Appeals has decided important federal questions in a way in conflict with applicable decisions of this Court.

6. The decision of the Court of Appeals is in conflict with the decisions of other Circuit Courts of Appeal on the same matter.

Respectfully submitted,

NELSON JONES,
Counsel for Petitioner

Houston, Texas
March 21, 1951

BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

Opinions of the Courts Below

The memorandum of the United States District Court for the Southern District of Texas was filed April 19, 1949 (III R. 1233). It is reported in 92 Fed. Supp. 722, 87 U.S.P.Q. 241. The opinion of the Court of Appeals for the Fifth Circuit was filed January 19, 1951 (R. 3291). It is reported in 186 Fed. (2d) 365, 88 U.S.P.Q. 165.

Jurisdiction

See Petition (p. 6, ante).

Matter Involved

The matter for determination by this Court is a question of law only. As to this, the District Court said (III R. 1247) "I think this Motion for a Summary Judgment in this case presents only a question of law."

By its judicial admissions, Respondent has established the fact that it is misusing the patents in suit. As to this, the District Court said (III R. 1251) "I think the record in this case shows it to be indisputably true that Plaintiff is misusing the patents in suit."

The fact that Respondent is misusing the patents in suit will be apparent from a comparison of this case and the decisions of this Court in LEITCH MFG. CO. v. BARBER, 302 U.S. 458 and B. B. CHEMICAL COMPANY v. ELMER A. ELLIS ET AL, 314 U.S. 495. As will more fully appear in footnote (1) to the District Court's opinion (III R. 1234-1246), in this case:

1. Respondent is a manufacturer who owns the method and combination patents in suit.

2. Respondent is selling, in competition with other manufacturers, elements of equipment for use by the various producers of oil in the patented methods and combinations.

3. The producers of oil who purchase the elements of equipment from Respondent for use in the patented combinations and methods have an implied license as a matter of law to use the elements in the patented methods and combinations, but the producers of oil who purchase these elements of equipment from Respondent's competitors have no such license.

4. Respondent has not sought to grant licenses so that the producers of oil may use the patented methods and combinations upon payment of a royalty or other consideration to Respondent, regardless of whether they purchase the elements of equipment from Respondent or Respondent's competitors. (which would have put Respondent's competitors on an equal competitive footing with Respondent in the sale of these elements of equipment which are not patented by Respondent's method and combination patents).

5. On the contrary, Respondent has filed this suit complaining that Petitioner is purchasing these elements of equipment from Respondent's competitors and using the same in the methods and combinations patented by the patents in suit.

Specification of Errors in the Court Below

The errors which Petitioner will urge if the Writ of Certiorari is issued, are that the Court of Appeals for the Fifth Circuit erred.

1. In holding that this, being a patent suit, is not a case for the use of summary judgment procedure.

2. In holding that this, being a patent suit, the case should be determined as a whole by a trial on the issues of patent validity, infringement and misuse.

3. In holding that this, being a patent suit in which Plaintiff alleges that the Defendant is a deliberate infringer, if the District Court finds the patents valid and infringed, but also finds misuse in whole or in part of the patents, the District Court should "contrive and confect" a decree which will give the Plaintiff relief against the Defendant and which will in some manner (not stated by the Court of Appeals) protect the public from the continued wrong doing of the Plaintiff in misusing its patents.

4. In holding that the record wholly fails to support the District Court's conclusion that the defense of misuse of the patents had been made out.

5. In holding that the application of the principle prohibiting misuse of patents is not the same in a direct infringement suit as it is in a contributory infringement suit.

6. In holding that the defense of misuse of patents can be established only by a showing that Plaintiff had the purpose and intention in respect to obtaining a monopoly.

7. In holding that there was no pleading or prayer that Defendant be enjoined from purchasing from others, and that there was no evidence that it had ever objected to the sale of material by its competitors or taken any steps or action to prevent them from doing so.

8. In not holding that Plaintiff, by its judicial admissions, has established the fact that it is misusing the method and combination patents in suit to establish a monopoly on elements of equipment not patented thereby.

9. In reversing the summary judgment of the United States District Court for the Southern District of Texas, Houston Division.

Argument

1. *Court of Appeals has Announced Exceptions to and Limitations Upon the Rule that a Court of Equity Should Not Lend its Aid to a Plaintiff Who is Misusing the patents in Suit.*

The decision of the Court of Appeals, if allowed to stand, will inevitably result in wide-spread confusion and uncertainty in the application of the rule that a court of equity should not lend its aid to a Plaintiff who is misusing the patents in suit.

This will be apparent not only in the stated grounds upon which the Court of Appeals reversed the Summary Judgment granted by the District Court, but also in its instructions to the District Court to try the case as a whole and to

"contrive and confect" a decree to permit Plaintiff to recover if the District Court finds the patents in suit valid and infringed, even though the District Court by the trial also finds that Plaintiff is misusing the patents in whole or in part.

2. Court of Appeals Has Held that a Patent Suit is Not a Case for the Use of summary Judgment Procedure.

The decision of the Court of Appeals, if allowed to stand, will result in confusion and uncertainty as to whether a summary judgment dismissing the complaint should ever be granted in a patent suit involving misuse. It will inevitably cause confusion and uncertainty as to whether a summary judgment should be granted where Plaintiff denies that it has any purpose or intention in respect to obtaining a monopoly, and charges that Defendant is a direct and deliberate infringer.

The decisions of this Court contain no support for the proposition that the lower Courts should permit misusers of patents to prosecute expensive patent infringement suits for long periods of time. To permit this would be to assist misusers in maintaining unlawful monopolies.

Where the fact that a Plaintiff is misusing the patents in suit is established by Plaintiff's judicial admissions, this fact cannot be more clearly shown by a long trial of the case as a whole. Nor should the Court and the parties be subjected to the burden and expense of a trial. For the fact of misuse, standing alone, constitutes a bar to the prosecution of the suit.

Referring to its earlier decision in HAWKINSON V. DENNIS ET AL, 166 Fed. (2d) 61, the Court of Appeals gave as one of the grounds for its decision (R. 3292):

> " * * * being a patent suit, this was, under the rules laid down in that case, not a case for the use of summary judgment procedure * * *".

The decision of the Court of Appeals that a patent suit is not a case for the use of summary judgment procedure is directly in conflict with the decision of this Court in MORTON SALT CO. v. G. S. SUPPIGER CO., 314 U.S. 488, and with the decision of the Court of Appeals for the Sixth Circuit in LINCOLN ELECTRIC CO. v. LINDE AIR PRODUCTS CO., 171 Fed. (2d) 223.

The decision of the Court of Appeals that a patent case must be tried as a whole on the issues of patent validity, infringement and misuse is in conflict with the decision of this Court in MORTON SALT CO. v. G. S. SUPPIGER CO., 314 U.S. 488, and with the decision of the Court of Appeals for the Sixth Circuit in LINCOLN ELECTRIC CO. v. LINDE AIR PRODUCTS CO., 171 Fed. (2d) 223, in which the summary judgments were granted without passing upon the issues of validity and infringement. It is also in conflict with the decisions of this Court that where Plaintiff's misuse of the patents in suit is shown, the complaint should be dismissed even though the patents be valid and infringed. CARBICE CORP. v. AMERICAN PATENTS DEVELOPMENT CORP., 283 U.S. 27, LEITCH MFG. CO. v. BARBER CO., 302 U.S. 458, B. B. CHEMICAL CO. v. ELMER A. ELLIS, ET AL, 314 U.S. 495, 117 Fed. (2d) 829, MERCOID v. MIDCONTINENT INVESTMENT CO., ET AL, 320 U.S. 661, MERCOID v. MINNEAPOLIS-HONEYWELL REGULATOR CO., 320 U.S. 680.

The decision of the Court of Appeals that the application of the principle under which complaints are dismissed where misuse is shown is not the same in a suit against a direct infringer as it is in a case against a contributory infringer, is in conflict with the decisions of this Court in MORTON SALT

Co. v. G. S. SUPPIGER Co., 314 U.S. 488, B. B. CHEMICAL Co. v. ELMER A. ELLIS, ET AL, 314 U.S. 495, 117 Fed. (2d) 829, and MERCOID CORP. v. MID-CONTINENT INVESTMENT Co., ET AL, 320 U.S. 661, and with the decision of the Court of Appeals for the Seventh Circuit in AMERICAN LECITHIN Co. v. WARFIELD Co., 105 Fed. (2d) 207.

No support can be found in the authorities for the decision of the Court of Appeals that the defense of misuse of patents can be established only by a showing that Plaintiff had the *purpose* and *intention* in respect to obtaining a monopoly. The decisions of this Court indicate that no finding as to such purpose or intention is necessary. LEITCH MFG. Co. v. BARBER Co., 302 U.S. 458, B. B. CHEMICAL Co. v. ELMER A. ELLIS, ET AL, 314 U.S. 495, 117 Fed. (2d) 829. If allowed to stand, the Court of Appeals' requirement of a finding of such purpose and intention will make it practically impossible for the lower courts to apply the rule in many cases.

It is a matter of manifest importance to the public that this Court determine whether a Plaintiff should be denied relief in equity where the necessary effect of Plaintiff's conduct is to establish for Plaintiff a limited monopoly in elements of equipment not patented by the patents in suit, or whether an additional showing of purpose and intent must be made before Plaintiff's complaint can be dismissed.

The decision of the Court of Appeals that the alleged deliberate infringement by Defendant is material is in conflict with the decision of this Court in LEITCH MFG. Co. v. BARBER Co., 302 U.S. 458, B. B. CHEMICAL Co. v. ELMER A. ELLIS, ET AL, 314 U.S. 495, 117 Fed. (2d) 829 and MERCOID CORP. v. MID-CONTINENT INVESTMENT Co., ET AL, 320 U.S. 661.

The Court of Appeals erroneously distinguished MORTON SALT CO. v. G. S. SUPPIGER CO., 314 U.S. 488, on the ground that in that case this Court affirmed the summary judgment because the question of misuse was settled as a matter of law by the terms of a written license. That misuse may be established by proof that Plaintiff has adopted a method of doing business which is the practical equivalent of granting a written license with a condition that the patented methods and combinations may be used only with elements of equipment purchased from Plaintiff was settled by this Court in LEITCH MFG. CO. v. BARBER CO., 302 U.S. 458, and this Court held in B. B. CHEMICAL CO. v. ELMER A. ELLIS, ET AL, 314 U.S. 495, 117 Fed. (2d) 829, that the rule applies in a suit for a direct infringement as well as in a suit for contributory infringement. This has also been held by the Court of Appeals for the Seventh Circuit in AMERICAN LECITHIN CO. v. WARFIELD CO., 105 Fed. (2d) 207.

The Court of Appeals erroneously distinguished LINCOLN ELECTRIC CO. v. LINDE AIR PRODUCTS CO., 171 Fed. (2d) 223, on the ground that Plaintiff had there gained control over more than 50% of the business and was engaged in enforcing its patents against sellers charging them with contributory infringement. There is no support in the authorities for any rule that the extent of Plaintiff's success in misusing its patents in suit must be shown. Nor for any rule that it must be shown that Plaintiff is also proceeding directly against his competitors, since the rule in direct infringement cases is the same as the rule in contributory infringement cases. MORTON SALT CO. v. G. S. SUPPIGER CO., 314 U.S. 488, B. B. CHEMICAL CO. v. ELMER A. ELLIS, ET AL., 314 U.S. 495, 117 Fed. (2d) 829, AMERICAN LECITHIN CO. v. WARFIELD CO., 105 Fed. (2d) 207.

3. Court of Appeals Has Held that in Case of Deliberate Infringement the District Court Should "Contrive and Confect" a Decree to Permit Plaintiff to Recover Even Though the District Court Finds Plaintiff is Misusing The Patents in Suit.

No support can be found in any of the authorities for the holding of the Court of Appeals that a Plaintiff who is found upon a trial to be misusing the patents in suit should nevertheless be permitted to recover against Defendant who is a deliberate infringer. It has been consistently held that where misuse is shown the public interest requires that the Complaint be dismissed. CARBICE CORP. v. AMERICAN PATENTS DEVELOPMENT CORP., 283 U.S. 27, LEITCH MFG. CO. v. BARBER CO., 302 U.S. 458, MORTON SALT CO. v. G. S. SUPPIGER CO., 314 U.S. 488, B. B. CHEMICAL CO. v. ELMER A. ELLIS, ET AL, 314 U.S. 495, 117 Fed. (2d) 829, MERCOID CORP. v. MID-CONTINENT INVESTMENT CO., ET AL, 320 U.S. 661, MERCOID CORP. v. MINNEAPOLIS-HONEYWELL REGULATOR CO., 320 U.S. 680, AMERICAN LECITHIN CO. v. WARFIELD CO., 105 Fed. (2d) 207, LINCOLN ELECTRIC CO. v. LINDE AIR PRODUCTS CO., 171 Fed. (2d) 223, PHILAD CO. v. LECHLER LABORATORIES, INC., 107 Fed. (2d) 747.

How can the District Courts, attempting to follow the decision of the Court of Appeals, "contrive and confect" decrees in order to *grant* relief, and at the same time comply with the rule established by this Court that relief should be *denied?*

Conclusion

For the reasons above stated it is urged that the Petition for Writ of Certiorari be granted.

Respectfully submitted,

NELSON JONES,

Counsel for Petitioner

REX G. BAKER,
MELVIN F. FINCKE,
VINSON, ELKINS & WEEMS,
J. VINCENT MARTIN,
JACK D. HEAD,
Of Counsel

March 21, 1951.

Office-Supreme Court, U. S.
FILED
MAY 5 1951
CHARLES ELMORE CROPLEY
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1950

No. 645

HUMBLE OIL & REFINING COMPANY, *Petitioner,*

v.

GRAY TOOL COMPANY, *Respondent.*

BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

HOMER T. BOULDIN,
Attorney for Respondent.

Of Counsel:
WILLIAM M. CUSHMAN,
JOHN W. MALLEY.

PRESS OF BYRON S. ADAMS, WASHINGTON, D. C.

INDEX.

Page

INTRODUCTION 1

JURISDICTION 4

STATEMENT OF THE CASE 4

QUESTIONS PRESENTED 13

ARGUMENT 14

The Court of Appeals in This Case Did Not Hold That Summary Judgment Should Not Be Granted in Any Patent Suit. It Clearly Recognized That Summary Judgment May Be Granted in Patent Cases in Which There Are No Disputed Issues of Material Fact 15

The Decision in This Case by the Court of Appeals Is in Harmony With the Decisions of the Supreme Court of The United States and Other United States Courts of Appeals 16

The Record in This Case Contains Positive Evidence Showing Respondent Has Not Misused Its Patents 19

The Record in This Case Positively Establishes That Petitioner Received Respondent's "Know How", Drawings, Diagrams and Full Information Concerning Respondent's Inventions Which Are the Subject of the Patents in Suit in Confidence, and Violated the Relation of Confidence 21

CONCLUSION 25

TABLE OF CASES CITED.

Butcher v. *United Electric Coal Co.*, 174 F. (2) 1003, 1006 17

Fountain v. *Filson et al*, 336 U. S. 681, 683 16

Paul E. Hawkinson v. *Dennis*, 166 F. (2) 61 . . . 15, 16, 17, 18

Hazeltine Research, Inc. v. *General Electric Co.*, 183 F. (2) 3 18

Page

Kennedy et al, Petitioners v. *Silas Mason Company,* 334 U. S. 249, 256 ..... 16, 17
Lincoln v. *Linde,* 171 F. (2) 223 18
Linde Air Products Co. v. *Gravier Tank and Manufacturing Co.,* 86 F. Supp. 191, 167 F. (2) 531; 335 U. S. 279 ..... 18, 19
Morton Salt Co. v. *Suppiger Co.,* 314 U. S. 488 18
Sartor v. *Arkansas Natural Gas Corp.,* 321 U. S. 620, 627 16
R. H. Stearns Co. of Boston, Mass. v. *United States,* 291 U. S. 54, 61, 62 ..... 24, 25
Stevens v. *Howard D. Johnson Co.,* 181 F. (2) 390, 394 17
Westinghouse Electric Corporation v. *Bulldog Electric Products Company,* 179 F. (2) 139, 146 17

IN THE

Supreme Court of the United States

OCTOBER TERM, 1950

No. 645

HUMBLE OIL & REFINING COMPANY, *Petitioner,*

v.

GRAY TOOL COMPANY, *Respondent.*

BRIEF FOR RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

INTRODUCTION

Respondent does not accept Petitioner's statement of what is involved in this suit. Petitioner's statement is incomplete and misleading. The Petition and Brief in support of same are based entirely upon an erroneous assumption that misuse of patents by Respondent has been established as a matter of law, whereas, the Court of Appeals clearly held that such misuse is not established by the record in this case as a matter of law or even as a matter of fact.

Petitioner (defendant in the trial court) presents the case as if it were one where misuse of patents by the

Respondent (plaintiff in the trial court) has been established, and then directs its "Questions Presented" to the properness of the general expressions used by the Court of Appeals in its opinion with reference to the further proceedings in the District Court in trial of the case on the merits.

Petitioner's presentation is misleading because the decision and opinion of the Court of Appeals are based on its own findings, in reversing the Summary Judgment, that misuse *was not* established as a matter of law by the record in this case, that the question of misuse *was one of fact* which was *in dispute,* and that if the Court had to pass on it as a question of fact on the present record, it should set aside such a finding of misuse as clearly erroneous.

The Court of Appeals found the Motion for Summary Judgment so lacking in merit as to constitute only delaying tactics, in the following language:

> "All that it could possibly accomplish was, by setting up a temporary road-block, to postpone the determination of the merits of plaintiff's suit and thus cause the trial to drag its already slow length still further along." (186 F. (2) 366)

Petitioner also states the case as though this is an ordinary infringement suit, and as though Petitioner is an ordinary producer of oil, being sued because it does not buy unpatented parts of equipment from Respondent. The Complaint states the cause of action not only as patent infringement, but also as planned appropriation of the subject-matter of the patents, in violation of a relationship of confidence, and as unjust enrichment (I.R., pp. 68, 69).

The record shows without dispute that Respondent, Gray Tool Company, is a small manufacturer employing about one hundred sixty persons (I.R., p. 279); that Petitioner, Humble Oil & Refining Company, is not only one of the largest producers of oil in the United States, but of more

significance in this suit, is or was affiliated with the Standard Oil Development Company (a large research organization and holder of vast patent rights) in the organized collection of technical information and know-how from the Gray Tool Company and other small manufacturers, for its own benefit, and for the benefit and use of the Standard Oil Company (New Jersey) and its subsidiaries and affiliates throughout the world (III. R., p. 1385; IV. R., p. 1912).

The Court of Appeals summarized the case as follows:

> "As plaintiff presented its case below, and, as appellant, presents it here, defendant is not merely an infringer of the patents but an arch contriver in doing so, in that, under the seal of confidential disclosures, it deliberately went about to obtain information to more effectively pirate plaintiff's invention, with the result that, through the use of the information plaintiff has furnished it, defendant has itself obtained a monopoly in the field covered by plaintiff's patents." (186 F. (2) 367).

In the Petition, as in the Motion for Summary Judgment filed in the District Court, the alleged misuse is presented only as a general accusation, not particularized and not supported by evidence. For instance, neither the Petition nor the original Motion for Summary Judgment specifies just what are the items of equipment which Respondent sells which are alleged as not covered by the patents in suit. There is neither agreement nor stipulation between the parties as to the patented or unpatented nature of the equipment, and the District Court did not pass on this question. On the other hand, there is positive evidence in the record showing that the equipment which Respondent sells is patented and covered by the patents in suit (III. R., p. 1113); (I.R., pp. 438, 439).

Because Petitioner's statement of the case is inaccurate and misleading, Respondent makes its own statement of the case, referring to the findings of the Court of Appeals and with brief reference to evidence in the record supporting the same.

The peculiar character of the infringement and Petitioner's conduct were governing factors upon Respondent's ability to use or administer its patents.

JURISDICTION

While the jurisdiction of the Supreme Court to review cases by granting certiorari is comprehensive, the petition in this case presents questions which cannot be decided upon review of the decision of the Court of Appeals, as prayed for in the first paragraph of the Petition.

The decision of the Court of Appeals was simply that misuse of patents by Respondent had not been established as a matter of fact or law.

The Petition presents "Questions" and "Reasons" challenging the general expressions of the Court of Appeals in its opinion accompanying and based upon its decision finding *no misuse,* as though such expressions had been made accompanying and based upon a wholly different and opposite decision, i.e., that Respondent *was* guilty of misuse. In short, this case does not properly present the questions stated in the Petition, at least at this stage of the proceedings.

STATEMENT OF THE CASE

The history of the suit in the trial court, is stated by the Court of Appeals for the Fifth Circuit (186 F. (2) 366) as follows:

> "Filed May 13, 1947, the complaint was that, with full knowledge of the inventions of plaintiff's patents obtained by consultation with plaintiff, defendant had deliberately, wrongfully, and persistently infringed them. The prayer was for a decree: adjudging plaintiff's patents valid and infringed; enjoining further infringement of them; requiring an accounting for gains, profits and advantages; and awarding damages, actually, exemplary, and statutory.
>
> On December 20, 1948, *more than eighteen months after the filing of the suit* and the accumulation of the

mass of matter, testimony, exhibits, admissions, etc., the record presents, the defendant, on the ground that plaintiff was here attempting to use the patents in suit to establish a monopoly on equipment not covered by the patents and that the defendant had already been subjected and would be further subjected to great expense in preparation for the trial, moved, under Rule 56 of the Rules of Civil Procedure, for a summary judgment dismissing the complaint.

On January 24, 1949, plaintiff filed its answer, supported by affidavits, setting out that there were real and material issues of fact requiring hearing and determination on a trial and that the motion should be denied.

On April 1, the motion came on for argument, whereupon the defendant, as a part of its argument, filed a written statement which purported to show that its defense of patent misuse was established, as matter of law, by plaintiff's pleadings and admissions, and plaintiff, as part of its argument, filed a written statement in reply.

On April 19, *nearly two years after the filing of the complaint,* the district judge filed a brief memorandum, to which was attached the statements of plaintiff and defendant above referred to. In it *without pointing to any fact in the record* in support of his general conclusion, he declared: 'An examination and consideration of the record and defendant's contentions convinces me that defendant is right and that the record shows that plaintiff is, as defendant contends, attempting to establish a monopoly, etc., or has done so * * * I think the record in this case shows it to be indisputably true that plaintiff is misusing the patents in suit and the motion for summary judgment will be granted.' " (Italics ours)

The decision of the trial court (92 F. Supp. 722), granting summary judgment, was reversed by a unanimous decision of the Court of Appeals (186 F. (2) 366), which court directed that the case be remanded to the trial court for trial on the merits as to all of the issues presented by the evidence and pleadings, including the nature of the equipment

which Respondent sells and whether or not it is patented, the nature of Respondent's method of conducting its business, the violation of confidential relationship, and unjust enrichment, and the question of any misuse of patents. The reversal of the trial court by the Court of Appeals was in the following language (186 F. (2) 367, 369):

> "It is quite plain that in so concluding and adjudging, the court erred. The premise, upon which defendant's statement, apparently adopted by the trial court as correct, and, therefore, the memorandum and order rest, is that plaintiff has judicially admitted, beyond its power to deny, and, therefore, the record establishes, not as matter of fact but as matter of law, that plaintiff has been using its patents and was attempting in the suit to use them to prevent other manufacturers of like standard material from selling it to defendant or to others.
>
> This premise finds no support in the record. There was no pleading or prayer that defendant be enjoined from purchasing from others. There was no evidence that it had ever objected to the sale of material by its competitors or taken any steps or action to prevent them from doing so. There was positive and uncontradicted evidence: that it had not been, and was not, interested in doing so; that its salesmen were carefully instructed to make use as far as possible of any available material their customers had on hand; and that its only purpose in bringing this suit was to prevent the defendant from infringing plaintiff's patents.
>
> While there was evidence that plaintiff had not undertaken any comprehensive system of granting licenses, there was clear and positive evidence that this was not done in order to obtain a monopoly but for wholly different reasons, and there was evidence that plaintiff had offered licenses to defendant and others.
>
> * * *
>
> Plaintiff in this case has never sued a competing manufacturer. It does not threaten to do so. It has sworn positively, in its affidavits submitted in opposition to the motion for summary judgment: that it has never objected to anyone's buying from competing manufacturers; it does not object now; and that it

has not sought, it is not seeking, nor will it seek in any way, to prevent this." (186 F. (2) 369)

There is positive evidence in the record showing on the one hand, that by the peculiar character of the infringement and breach of confidential relationship, Petitioner dominated the subject-matter of the patents, preventing any normal administration thereof by Respondent, and on the other hand, that the only action which Respondent took with respect to its patents, was to restrain Petitioner's flagrant conduct and not to gain any unlawful monopoly.

The record shows without dispute that Petitioner carried out an extensive organized program to collect technical information from the smaller manufacturers of oil well equipment, including the subject-matter of the patents in suit from the Respondent, Gray Tool Company, and to use and sell this information in the form of engineering reports and procurement standards for the benefit of itself, for the benefit of the Standard Oil Development Company, and for the benefit of the Standard Oil Company (New Jersey) and its affiliates and subsidiaries throughout the world (IV. R., pp. 1861-1863).

Petitioner-defendant's engineers testified as follows with respect to the organized program referred to:

"A. It would be difficult to name all the items. I worked on numerous products, such as pump stuffing boxes, tubing heads, polished rod hangers, pressure gauge protectors for mud pumps, and numerous other items. It is difficult to say. (III. R., p. 1274)

* * * * * *

Q. How far did you dig into their products, how closely did you examine it?

A. Well, I determined the major information, such as the method of suspending and sealing tubing, the various threaded or flanged connection sizes on the tubing head bodies, and interrogated them on the method of using it in the field, and any information

that related to the installation, use or pressure strength of the equipment. (III. R., p. 1274)

• • • • • •

Q. Did they tell you in detail, or just generally?
A. In appreciable detail.
Q. Did you go out to the Gray shop?
A. Yes.
Q. You had consultation with them in their shop?
A. Yes.
Q. Did you examine their equipment.
A. Yes, sir.
Q. Did you examine their drawings?
A. Yes, sir, such drawings as they brought for examination. (III. R., p. 1322)

• • • • • •

Q. Those standards were transmitted to Standard Oil Development Company and Standard of New Jersey?
A. Yes. (IV. R., p. 1905)

• • • • • •

A. Well, because the Standard Development Company has an interest in buying equipment and engineering work, and they had contracted with us to furnish them with copies of our reports." (IV. R., p. 1984)

The technical information was obtained from manufacturers under a confidential relationship in which Petitioner represented that the information was collected only to evaluate the manufacturer's product; that the resulting procurement standards did not include patented subject-matter, and that particular care would be exercised not to include in Petitioner's designs and specifications confidential information so collected. Petitioner's own policy letter outlining the relationship includes the following (I. R., pp. 196, 197), (Exhibit C of the affidavit of Robert A. Mueller in Response to Defendant's Request for Admissions; I. R., pp. 280, 337):

> "It is not improbable that in preparing such designs and/or specifications, we have used some of the knowledge obtained as a result of our investigations of various manufacturer's products. — — Under no circum-

stances, however, do we include in our design and/or specifications any feature of the manufacturer's product that to our knowledge is covered by a patent. Particular attention is given to avoid infringement of a manufacturer's patent rights, and no subterfuge in order to infringe a manufacturer's rights is countenanced.

Particular care is exercised not to include in our design and/or specifications confidential information likely to disclose to a competitive manufacturer features of design or construction that were developed as a result of expensive engineering study and research on the part of some one manufacturer and which were presented to us only for the purpose of evaluating the merits of that manufacturer's product."

There is positive and undisputed testimony in the record that Petitioner utterly disregarded its representations under which the technical information was obtained and disseminated the information collected in the form of reports and procurement standards to the four winds in utter disregard of any manufacturer's property rights which were involved. Petitioner-defendant's engineers testified:

"Q. No segregation?

A. No. Nobody was delegated that responsibility to determine their property rights. (IV. R., p. 1885)

• • • • • •

Q. How was it handled by the Standard of New Jersey?

A. They would handle it as they saw fit. They didn't have to do anything with it. They could throw it in the waste basket. We had no further interest in it.

Q. You do not care whether they distribute it all over the world?

A. That was their business. We saw nothing wrong in it. (IV. R., p. 1921)

• • • • • •

Q. Now if you know of any particular problem of infringement do you tell them about that? Suppose a

manufacturer has already spoken up about his patent rights. Do you send that information on to Standard Oil Development Company and Standard of New Jersey?

A. I do not recall ever having done that. (IV. R., p. 1904)."

There is substantial evidence in the record that Respondent's conduct prior to and after the issuance of the patents, and up to the filing of the suit, was directed toward preventing Petitioner from appropriating the inventions of the patents, and not toward exercising any unlawful monopoly. The affidavit of Robert A. Mueller, president of the Gray Tool Company relates Respondent's activities attempting to administer the subject-matter of its patents, as influenced by the Petitioner's conduct (I. R., pp. 279-282, 283, 287):

"(h) Plaintiff's patents in suit issued between the years of 1937 to 1941. In the period between April 26, 1938, and August, 1941, Plaintiff's efforts concerning the administration of its inventions and the patents in suit resulting therefrom were mainly directed toward obtaining assurances that defendant's policy was and would be to respect the said inventions, as outlined in my letter of April 26, 1938, to defendant, a copy of which is attached hereto and marked Exhibit 'B'. These efforts were made by my consultations and conversations with defendant's vice-president John R. Suman and with C. E. Reistle, Jr., and other employees of defendant, extending from 1938 through 1941. In 1941, I brought to Mr. Suman's attention and discussed with him plaintiff's patent 2,241,333 which issued on May 6, 1941, and the decision of the United States Court of Customs and Patent Appeals granting that patent (118 F (2) 722). Shortly thereafter, in August of 1941, Mr. John R. Suman sent to plaintiff defendant's policy letter 1331, dated August 18, 1941, signed by defendant's officer David Frame, a copy of which is attached hereto and marked Exhibit 'C'. The delivery of this policy letter, and the circumstances of its delivery following the conversations and consultations referred to,

assured plaintiff that defendant's policy was and would be to respect plaintiff's said inventions and property rights, and plaintiff accepted it as a promise and agreement that defendant would respect and not infringe the patents in suit and would countenance no subterfuge in order to infringe them. Throughout the discussions in the 1938 to 1941 period referred to, plaintiff offered to grant defendant a license to practice the methods and use the combinations of the patents in suit in the manner set forth in this statement on the request for admissions.

(i) In the period of 1941 through 1945, plaintiff was primarily engaged in war work and suspended all efforts to develop any program for granting licenses with respect to the patents in suit, other than as set forth in paragraphs 1 (c) and 1 (d) above in the proposals to the office of the Petroleum Administrator of War.

(j) On July 25, 1944, before the cessation of hostilities, defendant issued its 'Standards and Specifications of 1944' referred to in paragraph 1 of plaintiff's Bill of Particulars, the adoption and use of which is complained of. Defendant is one of the largest producers of oil in the United States and purchases a great volume of oil well completion equipment with which the inventions of the patents in suit are concerned. Defendant is also a research and development organization that deals in equipment with which the inventions of the patents in suit are concerned. Defendant also performs engineering services with respect to oil well completion equipment and methods for Standard Oil Development Company and Standard Oil Company, a New Jersey corporation, for the benefit of the latter's affiliate producing companies throughout the world. Defendant supplied the said Standard Oil Company with its said Standards of 1944 for its use, and the use of its affiliate companies, as a guidance in oil well completion practices and procurement of equipment related thereto. By the subsequent use of these Standards, as set forth in the Complaint and in plaintiff's Bill of Particulars, defendant asserted origination of and exercised such domination over the inventions of the patents in suit as to deny to plaintiff any such recognition in the industry of its property

rights as would enable plaintiff to undertake a licensing program, even if plaintiff were equipped with resources and personnel necessary to administer such a comprehensive licensing program as is suggested in this statement, which is not the case.

(k) After the termination of the war in 1945 and in 1946 and 1947, plaintiff exerted its efforts toward securing reassurances that defendant was respecting and would respect the patents in suit, through my conversations and consultations with defendant's officers, C. E. Reistle, Jr., and Hines Baker, at that time."

"Plaintiff continued, up until shortly before the filing of this suit, to offer to grant defendant and for the benefit of its affiliated companies a license as set forth in this paragraph of the request for admissions."

"3 (d) Plaintiff has requested defendant, a user of the methods and combinations of the patents in suit, to recognize said patents and plaintiff's property rights therein, but defendant has refused to do so. Plaintiff has been unable to require any action by defendant because defendant has not recognized the said patents."

"5 (c) Plaintiff complains of defendant's infringement, not because of the source from which defendant obtains its equipment, but because of the manner of the infringement as outlined in plaintiff's Complaint and Bill of Particulars. The present suit is not brought to aggressively monopolize the sale of the parts of the combinations of plaintiff's patents, as is implied in this statement of the request for admissions, but is a defensive suit involving plaintiff's right to survive while serving the industry as a manufacturer devoting time and money to the improvement of its products and practices. The present suit is an effort by plaintiff to regain its rightful position dealing in the subject matter of its patents rather than being confined to the business of selling parts as is implied in this statement of the request for admissions."

QUESTIONS PRESENTED

Petitioner has formulated three "Questions Presented" (Petition page 6) all concerned with the correctness of an opinion of the Court of Appeals in returning a case to the District Court for trial, assuming a situation where misuse has been established. These questions are based on an assumption which does not exist in this case. The Court of Appeals in the present case held that misuse had *not been established* as a matter of law, and that viewed as a fact question, the record in its present state shows that there was no misuse.

The sole question which was passed upon by the Court of Appeals was whether or not the charge of misuse of patents, on which the summary judgment granted by the District Court was based, was made out beyond any question of doubt. The District Court had held for Petitioner on the ground that misuse had been established as matter of law. The Court of Appeals found that misuse had not been established as a matter of law, that it was a fact question in dispute, and that the facts of the present record clearly indicated there had been no misuse. The Court of Appeals findings were:

> "Nothing in the pleadings, in the evidence given or in the admissions made by plaintiff, established as matter of law that it was misusing its patents in an attempt to obtain a monopoly in violation of the applicable rule. Indeed, we are of the opinion that the evidence hardly tends to support such a finding, and that, if we were reviewing the finding as one of fact, we ought perhaps, in the present state of the record, to set it aside as clearly erroneous.
>
> The case as a whole, made by the pleadings, the evidence, and the exhibits in the seven volume record, and by plaintiff's affidavits in opposition to the motion, is peculiarly one for determination, not by summary judgment but on the merits and by trial, if desired, 'on oral testimony with the opportunity to examine and cross-examine witnesses in open court * * * often acclaimed as one of the presistent, distinctive, and most

valuable features of the common law system', including for many years, in this country, trials in equity." (186 F (2) 367)

ARGUMENT

The Petitioner, the defendant in the trial court, filed its Motion for Summary Judgment, and contended that as a matter of law it had been established by the record that the Respondent, plaintiff in the trial court, had been guilty of misusing its patents in suit, in establishing, or by attempting to establish, a monopoly upon unpatented equipment.

The trial court, without pointing to any fact in the record, or any specific misuse of patents by the plaintiff, said:

> "An examination and consideration of the record and defendant's contentions convinces me that defendant is right, and that the record shows that plaintiff is, as defendant contends, attempting to establish a monopoly etc., or has done so. * * * I think the record in this case shows it to be indisputably true that the plaintiff is misusing the patents in suit and the motion for summary judgment will be granted." (III. R., pp. 1246, 1251, 1252.)

The Court of Appeals in its decision in this case found and held that the trial court was in error in holding that such alleged misuse had been established as a matter of law, and in granting the motion for summary judgment:

> "Nothing in the pleadings, in the evidence given, or in the admissions made by plaintiff, established as matter of law that it was misusing its patents in an attempt to obtain a monopoly in violation of the applicable rule. Indeed, we are of the opinion that the evidence hardly tends to support such a finding, and that, if we were reviewing the finding as one of fact, we ought perhaps, in the present state of the record, to set it aside as clearly erroneous." (186 F. (2) 367)

The Court of Appeals' decision and opinion clearly and positively show that the record in this case does not estab-

lish that as matter of law the Respondent has been guilty of misusing its patents in suit, or that it is attempting to do so. The Court of Appeals held that the question of the alleged misuse was a disputed issue of material fact. And that since there were disputed issues of material fact in the case that the trial court erred in granting the Motion for Summary Judgment.

Petitioner's Petition for Writ of Certiorari and Brief in Support Thereof, are based upon an erroneous interpretation of the decision of the Court of Appeals in this case.

The Petitioner in its Brief in Support of its Petition for Writ of Certiorari states:

> "Court of Appeals has held that a patent suit is not a case for the use of summary judgment procedure." (p. 13)

The Court of Appeals in This Case Did Not Hold That Summary Judgment Should Not Be Granted in Any Patent Suit. It Clearly Recognized That Summary Judgment May Be Granted in Patent Cases in Which There Are No Disputed Issues of Material Fact.

The Court of Appeals in its decision in this case referred to and quoted from its decision in the case of *Paul E. Hawkinson* v. *Dennis*, 166 F. (2) 61, and said this case came under the same rules as announced in the Hawkinson case. The Court of Appeals did not hold in the Hawkinson case that summary judgment should never be granted in patent cases. It did hold:

> "* * * the case for summary judgment must be made out clearly and beyond the peradventure of a doubt."

The Hawkinson case clearly recognized that it is proper in some patent cases to grant summary judgment. The Court of Appeals in its decision in that case said:

> "If, therefore, the district judge was right in the conclusion that it was established as matter not of fact but of law, that is by undisputed evidence and the

inescapable inferences to be drawn therefrom, that plaintiff had been and still was misusing its patents, the judgment ought to be affirmed, without prejudice, of course, to plaintiff's right to again sue when it can show that it has purged itself of wrongful uses and practices."

The Decision in This Case By the Court of Appeals Is in Harmony With the Decisions of the Supreme Court of The United States and Other United States Courts of Appeals.

The Supreme Court in the case of *Fountain* v. *Filson, et al,* 336 U. S. 681, 683, held:

> "Summary judgment may be given, under Rule 56, only if there is no dispute as to any material fact."

In the case of *Sartor* v. *Arkansas Natural Gas Corp.,* 321 U. S. 620, 627, the Supreme Court said:

> "The Court of Appeals below heretofore has correctly noted that Rule 56 authorizes summary judgment only where the moving party is entitled to judgment as a matter of law, where it is quite clear what the truth is, that no genuine issue remains for trial, and that purpose of the rule is not to cut litigants off from their right of trial by jury if they really have the issues to try."

The Supreme Court, in an opinion by Mr. Justice Jackson, in the case of *Kennedy et al, Petitioners* v. *Silas Mason Company,* 334 U. S. 249, 256, in speaking of a case of unusual importance, and in which a summary judgment had been granted by the trial court, said:

> "* * * The hearing of contentions as to disputed facts, the sorting of documents to select relevant provisions, ascertain their ultimate form and meaning in the case, the practical construction put on them by the parties and reduction of the mass of conflicting contentions as to fact and inference from facts, is a task primary for a court of one judge, not for a court of nine.

> We do not hold that in the form the controversy took in the District Court that tribunal lacked power or justification for applying the summary judgment procedure. But summary procedures, however salutary where issues are clear-cut and simple, present a treacherous record for deciding issues of far-flung import, on which this Court should draw inferences with caution from complicated courses of legislation, contracting and practice."

The Court of Appeals for the Fourth Circuit, in the case of *Westinghouse Electric Corporation* v. *Bulldog Electric Products Company,* 179 F. (2) 139, at page 146, expressly approved the holding in *Hawkinson* v. *Dennis, supra,* when it said:

> "We may add that we concur in what was said by the Court of Appeals of the Fifth Circuit in Paul E. Hawkinson Co. v. Dennis, 166 F. 2d 61, 63, as to the inadvisability of granting summary judgment for a defendant charged with infringement of a patent on the ground of plaintiff's illegal conduct, unless it appears beyond question that relief should be denied on that ground. A party charged with infringement should not be permitted too easily to escape trial of the issue by raising a clamor to the effect that the holder of the patent alleged to have been infringed has done something that he should not have done."

The Court of Appeals for the Seventh Circuit in the case of *Butcher* v. *United Electric Coal Co.,* 174 F. (2) 1003, at 1006, said:

> "On such a motion it is no part of the Court's function to decide issues of fact, but solely to determine whether there are any such issues of fact to be tried."

The Court of Appeals for the Fourth Circuit, in the case of *Stevens* v. *Howard D. Johnson Co.,* 181 F. (2) 390, at page 394, also holds that summary judgment should be granted only when it is perfectly clear that no issue of fact is involved, and cites other decisions of Courts of

Appeals for the Fourth, Fifth, Seventh and Ninth Circuits, and of the District of Columbia, including *Hawkinson* v. *Dennis, supra,* in support of such holding. The same holding is also made by the Court of Appeals for the Seventh Circuit in the case of *Hazeltine Research, Inc.* v. *General Electric Co.,* 183 F. (2) 3.

The Court of Appeals in its decision in this case discusses and makes distinctions between the fact situations in the cases relied upon by the Petitioner and the record in this case. The Court of Appeals did not disagree with the holdings in the cases relied upon by the Petitioner, it recognized them as being correct. As pointed out by the Court of Appeals the cases relied upon by Petitioner were cases tried on the merits with the exception of two cases. One of those (*Morton Salt Co.* v. *Suppiger Co.,* 314 U. S. 488) was a case in which the misuse of patents was established as a matter of law by the undisputed terms of standard written license contracts the patentee had executed with its two hundred customers. The other case (*Lincoln* v. *Linde,* 171 F. (2) 223) was one where the motion for summary judgment was supported by undisputed evidence, there being no conflicting evidence in the record.

As clearly pointed out by the Court of Appeals, "The latest authoritative decision on this question", *Linde Air Products Co.* v. *Gravier Tank and Manufacturing Co.,* 86 F. Supp. 191, 167 F. (2) 531, and 335 U. S. 279, "makes it abundantly clear that the issue of patent misuse tendered by defendant here was one of fact, and that there was no basis for deciding it as a matter of law."

The Supreme Court approved the District Court's ruling that:

> "A patent owner may legitimately engage in selling unpatented material usable with the patented article or process licensed by him, but he cannot legally require the licensee to purchase such material from him as a part of the licensing arrangement. Unless it could be found that plaintiff's entire licensing conduct is

merely a subterfuge, it is hard to conceive what more plaintiff could have done to safeguard itself from charges of having unduly broadened its patent monopoly. The evidence does not warrant a finding that the plaintiff's licensing conduct is a subterfuge. Therefore, it is concluded that the defendants have not met the burden of proving that the patent has been misused." (86 F. Supp. 200)

The Record in This Case Contains Positive Evidence Showing Respondent Has Not Misused Its Patents.

In the affidavit of Mr. R. A. Mueller, president of Respondent, in support of plaintiff's Answer to the Motion for Summary Judgment, it is stated:

> "The Gray Tool Company is not seeking by this suit to prevent competition by its competitors in the sale of unpatented equipment for use in the patented inventions. The Gray Tool Company has not and does not now attempt to have any monopoly on unpatented equipment." (I. R., p. 441)

Mr. R. A. Mueller in response to a request for admissions made by defendant (Petitioner) in the trial court made an affidavit, which is in the record, in which it is stated:

> "Plaintiff has offered to license defendant under the patents in suit in the manner set forth in this statement of the request for admissions, such offer being contingent on defendant's recognition of the patents in suit. This offer extended to that portion of the producing industry represented by defendant, including the Standard Oil Company, a New Jersey Corporation, and its operating subsidiaries or affiliates." (I. R., p. 278)

> "(M.) Plaintiff has always been and is now willing to grant all responsible producers who would recognize the said patents and who would practice the methods and use the combinations of the patents in suit a license on reasonable terms in the manner set forth in this paragraph of the request for admissions." (I. R., p. 282)

The record in this case also undisputedly shows that Respondent, during World War II, offered to the Petroleum Administrator of War for the United States, an unrestricted license under the patents to be used for the duration of the War. (I. R., p. 278)

The record contains six affidavits made by officers and engineers of Respondent which show the policies of Respondent and that Respondent has not misused its patents. One of the affidavits was made by Mr. Erwin F. Hill, vice-president of Respondent, in which it is stated:

> "Therefore, while offering for sale the complete combinations of our patents, we place no restrictions whatsoever in the way of an operator obtaining any or all of the elements wherever he may choose, or in providing for the complete control through the use of equipment owned by drilling contractors." (R. I., 480-481)

There are five other similar affidavits made by competent parties, in which the same or similar statements are made as in the Hill affidavit (II. R., pp. 592-604).

The fact that the Defendant-Petitioner had no difficulty in obtaining the alleged unpatented equipment is positively shown by the testimony of Defendant-Petitioner's former standardization engineer, Mr. John E. Eckel, when he testified as follows:

> "Q. And they had no difficulties in obtaining the equipment from the manufacturers in using this system?
> A. No." (V. R., p. 2219)

The fact that the equipment sold by Respondent is patented, and is not unpatented standard articles of commerce, is established also by the affidavit of Mr. R. A. Mueller, president of Respondent, which was made in support of "Plaintiff's Answer under Rule 56 to Defendant's Motion for Summary Judgment". In said affidavit, it is stated:

"The statement contained in Paragraph I is untrue, said paragraph being as follows:

'Plaintiff should be denied relief in equity because it is using the patents in suit as a means of obtaining a monopoly on the sale of unpatented standard articles of commerce for use in the alleged combinations and methods of the patents in suit.'

I deny that said statement contained in said Paragraph I is true. The patents of Gray Tool Company referred to have not been used and are not now being used as alleged in said Paragraph I of Defendant's Motion for Summary Judgment, and the products of the Gray Tool Company and the oil well drilling control unit of said Gray Tool Company are not unpatented standard articles of commerce." (R. I., pp. 438-439)

The Record in This Case Positively Establishes That Petitioner Received Respondent's "Know How", Drawings, Diagrams and Full Information Concerning Respondent's Inventions Which Are the Subject of the Patents in Suit in Confidence, and Violated the Relation of Confidence.

The Court of Appeals in its decision says:

"As plaintiff presented its case below, and, as appellant, presents it here, defendant is not merely an infringer of the patents but an arch contriver in doing so, in that, under the seal of confidential disclosures, it deliberately went about to obtain information to more effectively pirate plaintiff's invention, with the result that, through the use of the information plaintiff has furnished it, defendant has itself obtained a monopoly in the field covered by plaintiff's patents." (186 F (2) 367)

The positive and undisputed evidence shows that engineers of Petitioner went to the work shops of Respondent and received drawings, examined equipment, and obtained full information with respect to the inventions which are the subject of Respondent's patents in suit. (III, R., p.

1322; III. R., p. 1383; IV. R., p. 1613, and V. R., pp. 2158-2159)

The fact that the information was received in confidence is positively established by the testimony of Mr. John E. Eckel, standardization engineer for Petitioner (III. R., pp. 1453, 1454), and by Petitioner's own policy letter 1331 which was written as a result of a conference of the president of Respondent with officials of Petitioner concerning the incorporation of information received by Petitioner from Respondent in the standards and specifications of Petitioner which were used by Petitioner in purchasing oil well equipment. (IV. R., pp. 1861-1863). Policy letter 1331 in part states:

> "* Particular attention is given to avoid infringement of a manufacturers patent rights, and no subterfuge in order to infringe a manufacturers right is countenanced.
>
> Particular care is exercised not to include in our design and/or specifications confidential information likely to disclose to a competitive manufacturer features of design or construction that were developed as a result of expensive engineering study and research on the part of some one manufacturer and which were presented to us only for the purpose of evaluating the merits of that manufacturer's product. (R. I, 197)
>
> * * * * * *
>
> The sole purpose of any investigation or field test of material is to obtain only the information necessary for the purchase of the most serviceable or economical material for the Production Department * * *" (R. I, 1938)

The evidence is positive and uncontradicted that the Petitioner sold the standards, specifications and engineering reports to Standard Oil Development Company, a Delaware Corporation, for its own use and for the use of Standard Oil Company (New Jersey) and for the use of its affiliates and subsidiaries (IV. R., pp. 1605, 1606, 1607).

The record positively establishes the fact that the infor-

mation received by Petitioner from Respondent in confidence was included in Petitioner's standards, specifications and engineering reports which were rigidly followed by Petitioner in its universal system of purchasing oil well equipment, and sent without restriction to Standard Oil Development Company, and Standard Oil Company (New Jersey). Mr. John E. Eckel, Petitioner's standardization engineer, testified that the said standards provided for the equipment capable of the operations in drawing W-883-A (III. R., p. 1403). And the affidavit of Ray E. Kollar, which is in the record, established that the operations portrayed by Petitioner's drawing W-883-A is covered by Respondent's patents in suit. (III. R., p. 1111)

The evidence is positive and uncontradicted that Petitioner, when preparing its standards, specifications and engineering reports, included whatever it desired of the "know how" and information received from the manufacturers' work shops and made no distinction between the patented combinations and equipment and the unpatented, and did not give any consideration or recognition to the ownership of the industrial property rights which were included in the standards, specifications and engineering reports. (IV. R., pp. 1907-1908; V. R., pp. 2203-2204)

The evidence is undisputed that the engineers of Petitioner who went into the work shop of Respondent were under contract with Petitioner to assign all of their own applications for patents to Standard Oil Development Company, and that such assignments were made. (III. R., p. 1384)

The record also shows positively that such "contract employees" were members of a group in research and development and were charged with the responsibility of devising new and better equipment and methods for Petitioner and the Standard Oil Development Company, and were paid salaries based on their usefulness for that purpose (I. R., p. 201). And that the Standard Oil Development Company is a research and development company

(III. R., p. 1385), and is an affiliate of Standard Oil Company (New Jersey) (IV. R., p. 1912), and that since the year 1931 has had issued to it, as assignee, in excess of two thousand five hundred (2,500) patents. (II. R., p. 602)

The evidence in the record establishes the fact that Petitioner has misappropriated, dominated and controlled the subject matter covered by Respondent's patents in suit. And that it has represented by its standards, specifications and engineering reports that the subject matter of the patents in suit is not owned by Respondent but is owned by Petitioner or is public property. And that Petitioner sent the standards and specifications to manufacturers without any reference to patents rights in the equipment included therein. And that Petitioner required manufacturers to comply with its standards in manufacturing oil well equipment for Petitioner, and that if a manufacturer did not comply with the standards and specifications Petitioner did not purchase equipment from such manufacturer. (IV. R., p. 1919)

Respondent has alleged, and the evidence supports the pleadings, that the illegal acts of Petitioner have placed a cloud upon Respondent's patents, the subject matter of this case, and have taken control of same from Respondent and prevented it from entering into a comprehensive program of issuance of licenses under the patents. This is a disputed issue of material fact.

The acts of Petitioner as shown by the record in this case, and its accusations of misuse of patents in suit by Respondent, make the holding of the Supreme Court, in an opinion by Justice Cardoza, in the case of *R. H. Stearns Co. of Boston, Mass.* v. *United States,* 291 U. S. 54, 61, 62, most applicable:

> "The applicable principle is fundamental and unquestioned. 'He who prevents a thing from being done may not avail himself of the non-performance which he has himself occasioned, for the law says to him in effect: 'This is your own act, and therefore you are

not damnified.' Dolan v. Rodgers, 149 N. Y. 489, 491, 44 N. E. 167; and Imperator Realty Co. v. Tull, 228 N. Y. 447, 127 N. E. 263, quoting West v. Blakeway, 12 Man. & G. 729, 751. Sometimes the resulting disability has been characterized as an estoppel, sometimes as a waiver. The label counts for little. Enough for the present purposes that the disability has its roots in a principle more nearly ultimate than either waiver or estoppel, the principle that no one shall be permitted to found any claim upon his own inequity or take advantage of his own wrong. Imperator Realty Co. v. Tull, supra. A suit may not be built on an omission induced by him who sues. Swain v. Seamens, 9 Wall. 254, 274, 19 L. Ed. 554; United States v. Peck, 102 U. S. 64, 26 L. Ed. 46; Thompson v. Poor, 147 N. Y. 402, 42 N. E. 13; New Zealand Shipping Co. v. Societe des Ateliers (1919), A. C. 1, 6; Williston, Contracts, Vol. 2, Secs. 689 and 694."

CONCLUSION

For the reasons stated above, it is respectfully urged that the Petition for Writ of Certiorari be denied.

Respectfully submitted,

HOMER T. BOULDIN,
Attorney for Respondent.

Of Counsel:
WILLIAM M. CUSHMAN,
JOHN W. MALLEY.

Supreme Court, U.S.
FILED
MAY 16 1951
CHARLES ELMORE CROPLEY
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM 1950

No. 645

HUMBLE OIL & REFINING COMPANY, *Petitioner*,

v.

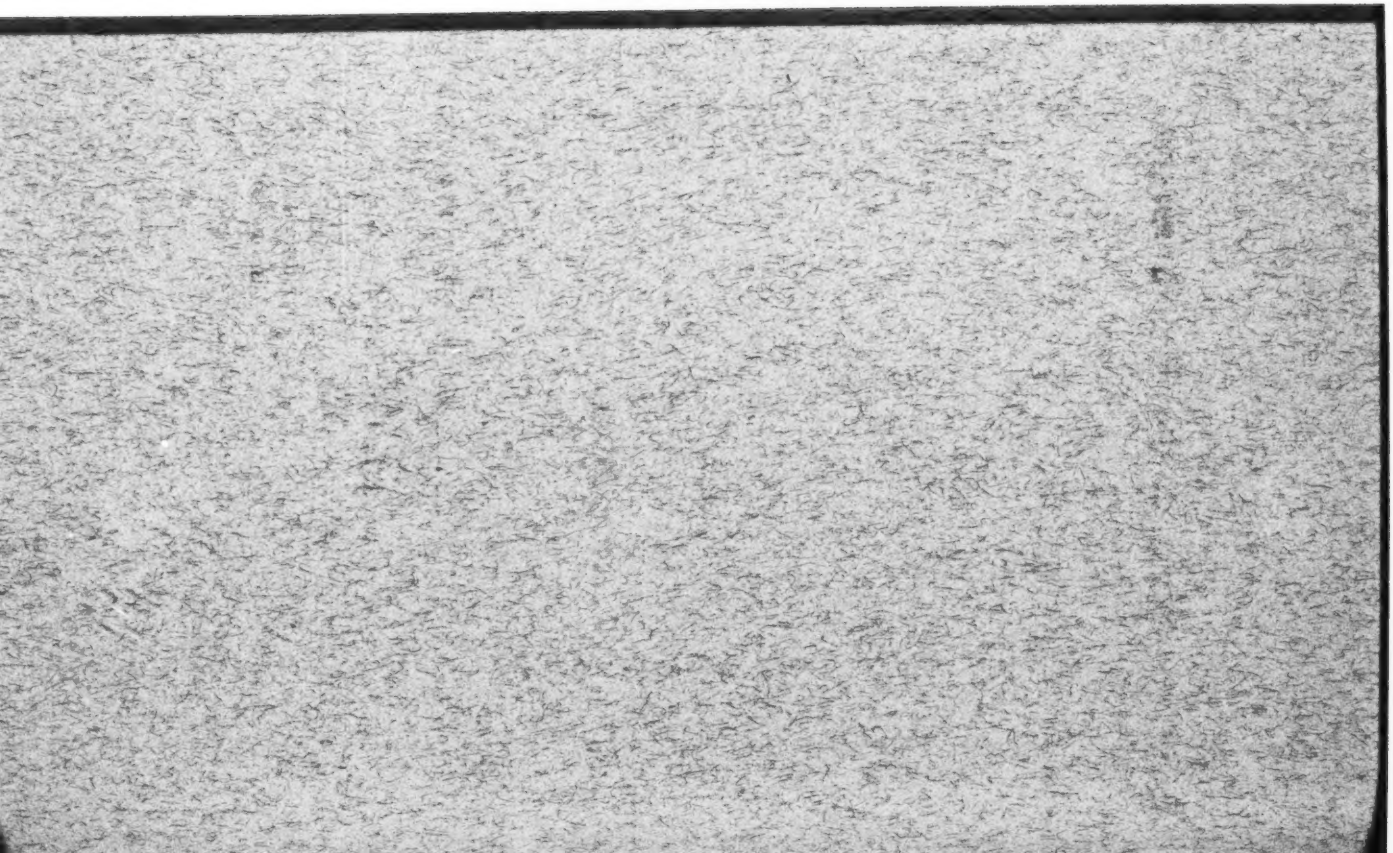
GRAY TOOL COMPANY, *Respondent*

PETITIONER'S REPLY BRIEF

NELSON JONES,
Counsel for Petitioner

REX G. BAKER,
MELVIN F. FINCKE,
VINSON, ELKINS & WEEMS,
J. VINCENT MARTIN,
JACK D. HEAD,
Of Counsel

ALPHA LAW BRIEF CO., HOUSTON



IN THE

Supreme Court of the United States

OCTOBER TERM 1950

No. 645

HUMBLE OIL & REFINING COMPANY, *Petitioner*,

v.

GRAY TOOL COMPANY, *Respondent*

PETITIONER'S REPLY BRIEF

---

1. There is Not and Cannot Be Any Issue As To The Material Facts Because The Material Facts Are Established by Respondent's Judicial Admissions.

That the Judgment of the District Court dismissing the Complaint is based upon the judicial admissions of Respondent (Plaintiff) will be apparent from its opinion, 92 F. Supp. 722, 728:

> "Defendant has filed its Motion for Summary Judgment, basing it wholly and solely upon the pleadings, depositions and affidavits, etc., filed by Plaintiff herein.
>
> * * *
>
> "I think the record in this case shows it to be *indisputably* true that Plaintiff is misusing the patents in suit." (Emphasis ours.)

The material facts, set forth in foot note (1) of the District Court's opinion, 92 F. Supp. 723, clearly reveal that Respondent is misusing its patents under the rule announced by this Court in the cases cited and followed by the District Court. Respondent's judicial admissions quoted in said foot note have not, and cannot be, disputed by Respondent.

The Court of Appeals did not challenge the correctness of the trial court's findings of fact. Instead, the Court of Appeals disagreed with the trial court's conclusion that, as a matter of law, the undisputed material facts support the summary judgment on the ground of misuse. The Court of Appeals held that, regardless of the *facts*, the *intent* of Respondent is controlling and must be obtained from Respondent's statements of intent rather than from Respondent's pleadings and judicial admissions. The Court of Appeals said, 186 F. 2d 367:

> "The defense of misuse of patents, like other unclean hands defenses, is not as defendant seems to think, a matter of the letter of *bare bone facts*: it is a matter of their spirit, the *intent* with which they are done." (Emphasis ours.)

Review is sought by the Petition herein on the ground that no rule should be established under which a Plaintiff who is misusing a combination or method patent to establish a monopoly on the elements of the combination, may

avoid dismissal of his complaint by denying that he has the intention in respect to establishing a monopoly.

2. Respondent's Argument as to *Petitioner's Alleged Misconduct.*

Respondent is the Plaintiff in this case. The District Court granted Summary Judgment dismissing Respondent's complaint on the ground that Respondent is misusing the patents in suit. The Court of Appeals reversed.

Petitioner is the Defendant in this case. Petitioner seeks only a dismissal of the Complaint to put an end to this expensive and burdensome litigation.

The question presented is whether the rule that a Court of equity should not lend its aid to a Plaintiff who is misusing the patents in suit is subject to the exceptions and limitations announced by the Court of Appeals.

The answer to this question affects not only the parties to this litigation. It affects manufacturers other than Respondent who are selling the equipment in competition with Respondent. It affects producers of oil other than Petitioner who are purchasing the equipment. Future litigants in unrelated fields of activity inevitably will be affected if the decision of the Court of Appeals is permitted to stand.

It is therefore respectfully submitted that the Petition should be granted in order that this question of great public importance may be finally decided by this Court.

3. Respondent's Argument as to the Decision of the Court of Appeals With Respect to Summary Judgment in Patent Cases.

Respondent's quotations on page 15 of its brief are from the opinion of the Court of Appeals in HAWKINSON v. DENNIS, 166 F. 2d 61.

In the present case, the decision of the Court of Appeals is such that if the Petition herein is denied, District Judges will feel compelled:

1. To try patent cases as a whole on all issues.
2. To attempt to "contrive and confect" decrees to permit plaintiff to recover where the Court finds the patent valid and deliberately infringed, even though the Court also finds that plaintiff is misusing the patent in whole or in part.

Respectfully submitted,

NELSON JONES,

Counsel for Petitioner

REX G. BAKER,
MELVIN F. FINCKE,
VINSON, ELKINS & WEEMS,
J. VINCENT MARTIN,
JACK D. HEAD,
Of Counsel

May 14, 1951.

Office-Supreme Court, U.
FILED
JUN 1 1951
CHARLES ELMORE CROPL
CLE

IN THE

Supreme Court of the United States

OCTOBER TERM 1950

No. 645

HUMBLE OIL & REFINING COMPANY, *Petitioner*,

v.

GRAY TOOL COMPANY, *Respondent*

PETITION FOR REHEARING

NELSON JONES,
Counsel for Petitioner

REX G. BAKER,
MELVIN F. FINCKE,
VINSON, ELKINS & WEEMS,
J. VINCENT MARTIN,
JACK D. HEAD,
Of Counsel

ALPHA LAW BRIEF CO., HOUSTON

IN THE

Supreme Court of the United States

OCTOBER TERM 1950

No. 645

HUMBLE OIL & REFINING COMPANY, *Petitioner,*

v.

GRAY TOOL COMPANY, *Respondent*

PETITION FOR REHEARING

To the Honorable, the Chief Justice and Associate Justices of the Supreme Court of the United States:

Comes now Humble Oil & Refining Company, the Petitioner in the above entitled cause, and presents this, its petition for a rehearing of the above entitled cause, and, in support thereof, respectfully shows:

1.

The Petition for Writ of Certiorari herein was filed on March 29, 1951. Your Petitioner urged that the decision

of the Court of Appeals, if permitted to stand, would cause confusion and uncertainty in the application of the rule that a court of equity should not lend its aid to a plaintiff who is misusing the patent in suit.

2.

Thereafter, on April 24, 1951, a Petition for Writ of Certiorari was filed in PARK-IN-THEATRES, INC., v. PARAMOUNT-RICHARDS THEATRES, INC., ET AL., No. 696 in this Court, which petition reveals that the confusion and uncertainty predicted by your petitioner actually exist.

3.

The specific question upon which confusion and uncertainty thus appear actually to exist is whether in a patent case involving misuse by plaintiff, a summary judgment should be denied and the case tried as a whole to determine whether plaintiff has the *intention* to establish the unlawful monopoly.

4.

Question No. 2 of the Petition for Writ of Certiorari in the present case is as follows (p. 6):

> 2. In a direct infringement suit, where the necessary effect of Plaintiff's admitted conduct is to establish a monopoly in equipment not patented by the patents in suit, may Plaintiff avoid dismissal of its complaint on a summary judgment proceeding by the simple expedient of denying that Plaintiff has any purpose or intention in respect to establishing the monopoly?

Question No. 1 of the Petition for Writ of Certiorari in PARK-IN-THEATRES, INC., v. PARAMOUNT-RICHARDS THEATRES, INC., ET AL., *supra*, is as follows (p. 10):

1. What is the legal criteria or standard of "patent misuse" as a defense to an action *ex contractu* or *ex delicto:*

(a) is it just any *theoretical* possibility of patent monopoly-enlargement or competition-restraining effect which is not spelled out by the terms of the questioned contract-clause (and not borne out by or correlated to a decade of industry-facts), but which may be inferred from the *bare** contract-language, *in vacuo,* as held by the Courts below,

or

(b) is it a matter of intent and realistic correlationship between contract-language and industry-facts and subject-matter of the licensed patent and the *actual* effect of such contract-language upon competition of unpatented devices, as held, contrariwise, in the following cases:

Park-In Theatres, Inc., v. Loew's Drive-In Theatres, Inc., 70 F. Supp. 880, 886-7 (reversed on other grounds not going to the matter of patent misuse at 174 F. 2d 547; 1 Cir., and certiorari denied at 338 U.S. 822-3 and 896),

Gray Tool Co. v. Humble Oil & Refining Co. 186 F. 2d 365, 367 (5 Cir.) decided January 19, 1951,

Automatic Radio Mfg. Co. v. Haseltine Research Corp., 339 U.S. 827 (decided June 5, 1950).

*"The defense of misuse of patent, like other unclean hands defenses, is not, as defendant seems to think, a matter of the letter or *bare bones facts;* it is a matter of their spirit, or intent with which they are done. The judge may not, on motion for summary judgment,

draw fact inferences as to plaintiff's purpose or intention in respect to obtaining a monopoly. Such inferences may be drawn only on trial." GRAY TOOL CO. v. HUMBLE OIL & REFINING CO., 186 F. 2d 365, 367 (5 Cir., decided January 19, 1951).

5.

In B. B. CHEMICAL CO. v. ELMER A. ELLIS, ET AL., 314 U.S. 495, there was no finding by the District Court, 32 F. Supp. 690, that the plaintiff had any intent to establish an unlawful monopoly. On the contrary, the District Court found (p. 694):

> "The plaintiff did not grant written licenses to shoe manufacturers, nor was any such license ever requested. Neither by notice or by agreement in any form with its customers did it require them to use only plaintiff's material. The plaintiff adopted the foregoing method of utilizing the patented process, deeming it the most practical method for so doing."

Also, JUDGE MAGRUDER in his concurring opinion, 117 F. 2d 829 (CCA 2), pointed out that in LEITCH MFG. CO. v. BARBER COMPANY, 302 U.S. 458, no showing was made as to plaintiff's intent to establish an unlawful monopoly. He stated (p. 838):

> "At the oral argument it seemed to me that the method of business adopted by the plaintiff in the case at bar could not be considered objectionable in the absence of a finding that the plaintiff had refused or would refuse to grant an unrestricted license to any shoe manufacturer who chose to buy from some other source the materials used in reinforcing the insoles by the patented process. That is, if the plaintiff is prepared to grant an unrestricted license on a royalty basis to any shoe manufacturers who prefer to obtain the un-

> patented precoated duck and top coat elsewhere, it is difficult at first blush to see how the plaintiff would be doing anything wrong in furnishing the unpatented materials and incidental services at so much per web yard of duck to those shoe manufacturers who prefer to do business with the plaintiff on that basis. But this point was urged in Leitch Mfg. Co. v. Barber Co., supra, and it was pointed out in the plaintiff's brief before the Supreme Court that the plaintiff was 'not shown to have refused to grant any license under the patent, much less granted any license conditioned on purchase of emulsion from it.' The argument was to no avail. The court considered it sufficient to condemn the plaintiff's method of doing business, that, as matters stood, no road contractor had a license to practice the patented process except those contractors who bought their bituminous emulsion from the plaintiff. The court apparently did not consider it relevant that contractors who were disposed to buy their bituminous emulsion from the defendant or from some other source might, if they had applied to the plaintiff, have obtained an unrestricted express license to practice the process for a stated royalty."

The Supreme Court, however, in its opinions in LEITCH MFG. CO. v. BARBER CO., 302 U.S. 458, and B. B. CHEMICAL CO. v. ELLIS, 314 U.S. 495, did not make reference to the fact that no showing of intent on the part of the plaintiff had been made in either of such cases or that no such showing was necessary.

We submit that the foregoing clearly reveals the need for a final decision by this Court to clarify the answer to the question whether a showing of *intention* is necessary before a finding of misuse can be made.

Wherefore, upon the foregoing grounds, it is respectfully urged that this petition for rehearing be granted, and that,

upon further consideration, the Petition for Writ of Certiorari be granted.

Respectfully submitted,

NELSON JONES,
Counsel for Petitioner

REX G. BAKER,
MELVIN F. FINCKE,
VINSON, ELKINS & WEEMS,
J. VINCENT MARTIN,
JACK D. HEAD,
Of Counsel

Certificate of Counsel

I, counsel for the above named Petitioner, do hereby certify that the foregoing petition for rehearing of this cause is presented in good faith and not for delay and is restricted to the grounds specified by Rule 33(2).

NELSON JONES,
Counsel for Petitioner